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### **BHL COMMENTARY ON GORAM HOMES 2021/22 BP SUBMISSION**

The latest Goram Homes 21/22 BP has changed significantly since the original plan was submitted for Shareholder Group (SG) and OSMB review in November 2020, due to a changing risk profile and also a much firmer position of the BCC land disposal pipeline; the land disposal pipeline is the subject of a separate Exec Dir G&R cabinet paper. Importantly, as they are directly related, the Goram BP will now be reviewed by OSMB and cabinet alongside the underpinning land disposal paper.

The Goram team have been working very hard over the last couple of weeks to review every site in the pipeline and mature this new BP. This has meant that the Goram and Bristol Holdings Ltd (BHL) Boards only came together to jointly review the updated version on 18<sup>th</sup> Feb, immediately before submission on 19<sup>th</sup> Feb, ready for the SG meeting on 22<sup>nd</sup> Feb. Consequently, the BHL Board has not been able to carry out its normal level of Due Diligence (DD), although BHL Group FD will provide a further update on the financial aspects at the OSMB meeting itself. Nevertheless, in our opinion, the changed position has in fact strengthened Goram's BP and the team have done an excellent job in preparing a comprehensive plan, setting the foundation for a very exciting year ahead.

The Goram and BHL Joint Board and subsequent Shareholder Group reviews highlighted some areas for change within the BP and these have been addressed prior to OSMB and cabinet submission.

### **Overall**

This updated Goram 2021 BP remains an excellent document describing how they will be addressing important environmental, social value, net zero target and innovation topics across all their projects. It helpfully includes a high-level housing market analysis and outlines the broad programme of named sites for future development projects which are now significantly stronger, assuming the associated BCC land disposal paper is approved by cabinet in March. This BP now includes a detailed view on finances, linked to the firm pipeline plan as agreed by the BCC G&R Housing team. The BHL Board has taken the assumptions and financial assessments at face value, given our inability to do any significant DD. However, we had an extensive review together with the Goram Board and we have no reason to question Goram's assessments in the BP. As stated above, BHL Group FD will be continuing to review the finances and will provide OSMB members with an update at their March meeting.

The proposed BP shows that, subject to BCC delivering on its land disposal pipeline commitments, this business model is sound and will deliver amazing new housing developments for the City of Bristol over the coming years, including high levels of Affordable Housing, meeting policy requirements in all developments. Moreover, in addition to return on land disposal, BCC will benefit as Goram delivers significant profit back to the Council over the next five years, and beyond.

## **Risk**

The Council needs to understand that it has entered a market that has significant risks, and the team have highlighted many of these in their associated risk register. In this case BCC itself is a major factor in Goram's future performance, since availability of development sites is critical to the Company and its planned LLP Joint Ventures. Likewise, many of the sites in the Council pipeline are deemed challenging and, inevitably, some may even fall by the wayside over the years. However, Goram's commercial model, its expanding pipeline of committed sites, and its approach to the programme should enable them to remain flexible and agile. Importantly, by working in partnership with specialist development partners with experience on similarly challenging sites, Goram are well positioned to manage risks as they emerge. In short, although we need to recognise and highlight the significant risks highlighted within this plan, we do support Goram's approach and methodology to manage such risks, and as long as BCC delivers on the sites, there is no reason to judge at this stage that this plan is undeliverable. However, we would note that risks may crystallise reducing the returns outlined such as planning issues, construction costs or overruns, or a downturn in the housing market.

Finally, the plan includes some good risk sensitivity analysis considering slippage to several of the key sites. Nevertheless, we judged that OSMB would welcome a wider selection of scenarios which the team will cover separately if required, to demonstrate that the BP remains viable against a wide range of scenarios.

## **Engagement & Communication**

It is recognised that the Goram Homes commercial model may appear risky and complex to those not close to the subject, or without a commercial background. In fact, it is our view that the Goram model is intrinsically strong with a small team at the core which controls operating costs and executes development of sites in partnership with specialist developers when the time is right. The social and commercial return of this model are significant, and the Council's investments are relatively low over the length of the programme. It is important that we do not allow the failures of the Bristol Energy business to unduly influence understanding and rational decision making in this very different commercial proposition. Overall, the financial exposure is low as Goram Homes is a light operating model with much of the risk and commitment (aside from land) lying with their chosen partners.

The team have already set a comprehensive communication strategy in motion, which includes engaging local residents, as explained in the BP. At our preceding reviews, we discussed the need to increasingly communicate with and regularly engage council officers and Councillors, since this agile programme will be returning for ongoing project approvals on a regular basis. Therefore, it is critical that the scrutineers, auditors and wider council decision makers understand the Goram commercial operating model.

We support this Goram 2021 BP and recommend that it is submitted to cabinet for approval on 9<sup>th</sup> March.